

Uva Provincial Council - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Uva Provincial Council for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of financial performance and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information was carried out under my direction in pursuance of provisions in Article 154 (3) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 23 (1) of the Provincial Councils Act, No. 42 of 1987 and provisions of the National Audit Act, No. 19 of 2018. The Summary Report was issued on 28 May 2024 in terms of Section 23(2) of the Provincial Councils Act and provisions in Sub-section 11(1) of the National Audit Act, No. 19 of 2018. The Detailed Management Audit Report was issued on 31 May 2024 in terms of Sub-section 11(2) of the National Audit Act. This report is presented to Parliament in pursuance of provisions in Article 154(6) of the Constitution and Sub-section 10(1) of the National Audit Act and a copy of the report is submitted to the Governor for tabling at the Provincial Council in terms of Section 23(2) of the Provincial Councils Act, No. 42 of 1987.

* In my opinion, except for the effects of the matters described in the Paragraph of the basis for the qualified opinion in my report, the accompanying financial statements give a true and fair view of the financial position of the Uva Provincial Council as at 31 December 2023, and of its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

| Audit Observation | Comment of the Chief Accounting Officer | Recommendation |
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| (a) According to Public Sector Accounting Standard No. 8 of Sri Lanka, the improbable liabilities should be disclosed but in respect of the 03 pending case proceedings the amount of Rs. 320,274,129 of the improbable liabilities had not been disclosed in the financial statements | Due to the fact that the cases related to the amounts of the liabilities are still pending, the amount of the liabilities has not been determined precisely, so it has not been disclosed under the disclosures of the account. As mentioned in the audit report, the legal department has previously reported that The amount of Rs. 303,274,129 is not an amount to be paid from the provincial council fund and it is an amount related to the project carried out under a project office of the Provincial Council Ministry. This amount cannot be shown in the financial statements | Since the case has been filed against the Provincial Council, it should be in accordance with Public Sector Accounting Standard No. 8 of Sri Lanka. |

of the Provincial Council Fund as it has to be paid at a time under the provisions of that Ministry. I would like to mention that the financial statements of the Provincial Council Fund show only the liabilities to be paid from the Provincial Council Fund.

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| (b) | The total earned in respect of 04 commercial advance accounts in the year 2023 was amounting to Rs. 39,656,320, which was the profit, had not been credited to the Provincial Council Fund in accordance with Provincial Council Finance Rule 510.2(b). | I would like to mention that these profits related to the year 2023 will be received in remittances in the year 2024 after preparing the accounts of the year and identifying the profits. | The Provincial Council shall proceed in accordance with Finance Rule 510.2(b). |
| (c) | In relation to 02 commercial advance accounts, instead of the profit of the year under review, Rs. 7,812,300 pertaining to the year 2022, had been disclosed in the notes as profit in the year under review. | At the time of submission of the final financial statements of the Provincial Fund, no profit and loss adjustments have been made for the relevant year due to the fact that the commercial advance accounts related to the Department of Industries had not been prepared and submitted. But the disclosures have been made based on the last year's information reported to the provincial council fund at that time. | The profit or loss earned for the year should be disclosed in the financial statements. |
| (d) | In relation to 04 commercial advance accounts allocated for the year 2023 Rs. 22,562,776 which is equal amount to the depreciation of fixed assets, had not been credited to the Provincial Treasury Depreciation Reserve Fund in accordance with Provincial Council Finance Rule 509.1 | I mention that this depreciation reserve value applicable to the year 2023 will be obtained in the year 2024 after preparing the accounts for the year. I mention that in previous years also the depreciation reserves of the respective year have been remitted in the following year. | The Provincial Council shall act in accordance with Finance Rule 509.1. |

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| (e) | Due to not including Rs.208,371 worth of liabilities of the Provincial Council Fund Pertaining to 07 institutions of Uva Provincial Council, in the financial statements for the year ending 31 December,2023 and under-stating, the value of current liabilities in the statement of financial position as at that date had been understated in that balance. | This bill value, which was not recognized as a liability and not recorded to be accounted as a liability in the year 2023, has been recorded in the 2024 financial statements to be adjusted in the surplus and deficit related to the year 2023. | Liabilities shall be accurately indicated in the financial statements. |
| (f) | As of 31 December, 2023, the balance presented in the Appropriation account of Uva Provincial Cooperative Employees Commission regarding non-financial assets, was unmatched by Rs.425, 700 with the balance presented according to the consolidated financial statements. | After reporting the information related to the changes (disposal//exchanges) regarding the fixed assets by the concerned entity, it is revealed that any change has taken place. If there is any impact, it will be rectified in the next year's financial statements. | The information included in the consolidated financial statements should be consistent with the information included in the entities. |

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those audit standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Management's Responsibility for Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for determining the internal control necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The responsibility related to the financial reporting process of the Provincial Council is carried out by the management of the respective institutions including the Provincial Treasury.

As per Section 16 (1) of the National Audit Act, No. 19 of 2018, the Commission is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Commission.

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Provincial Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the management in respect of significant audit findings, including any significant deficiencies in the internal control and the other matters that I identified during my audit.

1.5 Opinion on Financial Statements

1.5.1 Head 700 - Governor's Office

(a) Non-compliances

Non-compliance with Laws, Rules, Regulations and Management decisions

| Reference to Laws, Rules and Regulations | Non-compliance | Comments of the Chief Accounting Officer | Recommendation |
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| Circulars issued by the President | | | |
| (i) Public Expenditure Management Circular No. PS/CSA/11-18 dated 12 October 2018 | Although the circular specified the facilities to be enjoyed by the governors of the provincial councils and their personal staff, the expenses of Rs. 808,334 which had to be borne personally had been paid from the provincial council fund. | Although gas was provided for the use of the Uva Provincial Governor's official residence, these will not be provided to the Honorable Governor for his personal use. | The Arrangement should be made to act and manage the expenses according to the circular issued by the Secretary to the president. |
| (ii) Section 4.3 of the Secretary to the president No. PS/CSA/11-18 and Public Expenditure Management Circular dated 12 October 2018 and Clause 2.1.3 (II) of the National Budget Circular No. 01/2014 addressed to Provincial Council Secretaries dated 01 January 2014 | Although it has been stated that fuel allowances should be paid as a monthly allowance and not as a compensation on the bills and the allowances should be determined according to the price of fuel available in the local market on the first day of the relevant month, but as inconsistent therewith, fuel charges of Rs.2,439,475 had been overpaid to the Governor of Uva Province and his Coordinating Secretary, Private Secretary, Media Secretary and the public Relations Officer from August 2022 to June 2023. | Due to the fact that Local authorities had informed to use super diesel from the fuel used in Sri Lanka for modern vehicles manufactured in Europe and Japan bearing UP CAG 7655, UP CAR 0550, UP CAR 1602, UP CAR 0895, and CAV 2060 allocated to the Honorable Governor of Uva Province and his staff, Super diesels are supplied on the basis of requirement to minimize maintenance and service. According to the circular you pointed | Management of fuel usage is the responsibility of the officers using the vehicles and should be done according to the circulars. |

out, although equivalent diesel will be used for all other vehicles from April 2023, it is noted that defects appeared in the fuel combustion system (injector system) of those vehicles and the annual emission test was also failed and due to this, it appears that there is an increase in maintenance expenses.

1.5.2 Head 701 - Council Secretariat

(a) Non-compliances

Non-compliance with Laws, Rules, Regulations and Management decisions

Reference to Laws, Rules and Regulations

Non-compliance

Comments of the Chief Accounting Officer

Recommendation

Circulars issued by the President

Circular No. PS/CSA/11-18(II) dated 28 October, 2022 issued by the Secretary to the President titled “Public Expenditure Management of Provincial Councils”

The chairman is entitled to 01 official vehicle and a monthly fuel allowance equal to the price of 400 liters of petrol/diesel for that official vehicle and it was stated that the allowance should be determined according to the fuel price prevailing in the local market on the first day of the relevant month. However, in accordance with that, based on the price of a liter of super diesel for the year 2023, Rs. 344,800 had been paid excess for fuel allowance.

From the year 2024, the fuel allowance will be given according to the normal petrol and diesel prices, but the vehicle may have technical defects, so the honorable chairman has informed that even now only special petrol will be used for that vehicle.

Action should be taken in accordance with the circular.

(b) Disputed transactions

| Audit Observation | Comments of the Chief Accounting Officer | Recommendation |
|--|---|---|
| After the end of the official term of the 6th Uva Provincial Council, 05 officers of the personal staff of the chairman who hold a nominal position, had been paid Rs. 1,943,414 as salary allowances 362 days out of 365 days in the year 2023 on the basis of the arrival and departure report certified by the chairman without establishing an internal control system to be able to check the arrival and departure documents of those officials, non-signing and performed duties. | A certified copy of monthly attendance register is presented for payment of salary from April 2024 onwards. | Payment should be made on the basis of acceptable proof of payment. |

1.5.3 Head 704 - Uva Provincial Chief Minister and Ministry of Finance, Law and Order, Education, Local Government, Power and Energy, Construction and Rural Infrastructure and Lands

(a) Identified losses

| Audit Observation | Comments of the Chief Accounting Officer | Recommendation |
|--|---|---|
| On 27 January, 2015, a driver of the Chief Minister's personal staff was driving under the influence of liquor and a Toyota type cab belonging to the Ministry was involved in an accident on 15 May, 2015 and cost Rs. 1,486,547 in damages had been incurred. A lawsuit was filed against the driver who was guilty of causing an accident to this cab assigned to the duties of the media secretary of the Chief Minister's personal staff of Uva Province and the above damages had not been recovered by 10 August, 2023. | A case has been filed in the Badulla District Court under M/9872 number in order to recover the loss of Rs.1,486,547 and it is expected to proceed according to the judgment. | Action should be taken proceed according to the judgment. |

1.5.4 Head 705 – Ministry of Sports and Youth Affairs, Tourism, Transport, Cultural and Sports and Small Scale Industries

(a) Uneconomic transactions

| Audit Observation | Comments of the Chief Accounting Officer | Recommendation |
|--|--|---|
| <p>The Ministry of Sports and Youth Affairs, Tourism, Transport, Culture and Small Industries of Uva Province had planned to build a viewing platform and a rest house in 03 phases near the Bandarawela Railway Station to increase the tourist attraction in Uva Province. Under its first phase, only the viewing platform had been built at a cost of Rs.2,232,537. Even by 20 November, 2023, the flight of stairs leading to the viewing platform were partially completed and unusable, but according to estimates, the total value of Rs. 552,543 had been paid for the stairs. Rs.2,232,537 had become an uneconomical expenditure due to the fact that the further work on the project had been stopped later.</p> | <p>This project has been implemented in the year 2022 under the coordination of Provincial Council Tourism Ministry with the aim of fulfilling the project through the Bandarawela Divisional Secretariat under the allocation money of the Line Tourism Ministry.</p> <p>Accordingly, part of the project was completed in the year 2022 with the money received for the first phase and for the completion of the rest of the work, the line tourism ministry is due to provide imprest for this year.</p> | <p>Focus should be on achieving expected goals.</p> |

1.5.5 Head 706 - Ministry of Agriculture, Irrigation, Animal Production, Freshwater Fisheries

(a) Management inefficiencies

| Audit Observation | Comments of the Chief Accounting Officer | Recommendation |
|---|---|--|
| <p>As on 31 December of the year under review, the outstanding credit balance of seed potato account was Rs. 8,832,473 and the balance was shown as assets in the provincial council financial statements for over 10 years. It was observed while examining the recovery progress of the previous years and the year under review that the loan installments have not been collected on a monthly basis.</p> | <p>The current progress of debt recovery from 1 January, 2024 to 10 May, 2024 is Rs.390,526. Accordingly, the outstanding loan balance to be recovered is Rs.8,441,768.</p> | <p>Arrangements should be made to recover the loan balance promptly.</p> |

1.5.6 Head 707 - Ministry of Health, Indegenious Medicine, Probation and Child Care, women Welfare and Social Welfare

(a) Management inefficiencies

| Audit observation | Comments of the Chief Accounting Officer | Recommendation |
|--|--|---|
| <p>As indicated by (Disbursement Linked Indicator- 3) as a primary objective of the project to strengthen the primary health care system, although patients should be registered for a minimum of 25 percent of the target population above 35 years of age in the relevant hospital limits and continuous assessment of high-risk conditions should be done, in the year 2022, 09 hospitals and 12 hospitals in Monaragala and Badulla district respectively had not achieved the expected goals of achieving the above objectives.</p> | <p>Although the number of diagnoses made in the Devathura and Godigamuwa primary medical care units mentioned in the audit query and the percentage of reaching the goals was recorded as zero, the diagnosis of patients in the year 2022 has been continued in these hospitals and the relevant goals have been reached. It has not been possible to achieve the respective goals due to the lack of ultrasound facilities in the respective hospitals, the delay in the hospitals becoming Verifiable hospitals, the bad atmosphere in the country in the years 2021 and 2022, etc.</p> | <p>Computer software should be developed and hospitals should be networked to fulfill the objectives mentioned in the primary health care system empowerment project.</p> |

(b) Idle and underutilized assets

| Audit Observation | Comments of the Chief Accounting Officer | Recommendation |
|--|--|---|
| <p>Under the Primary Health Care System Empowerment Project, which was purchased in the year 2020, Rs. 1,190,000 worth of Treadmill sprit fitness exercise equipment remained idle in the warehouses of Badulla Regional Health Services Directorate even on 04 July 2023.</p> | <p>The installation of this equipment was delayed due to the delay in the construction of the new building. The construction of the building has been completed and the installation of the relevant gym equipment has been started.</p> | <p>Exercise equipment should be installed and made use of it.</p> |

1.5.7 Head 708 - Ministry of Road Development, Housing, Water Supply, Estate Infrastructure and Cooperative Affairs

(a) Management inefficiencies

| Audit Observation | Comments of the Chief Accounting Officer | Recommendation |
|--|---|--|
| The amount to be collected from an officer who left the service of Uva Provincial Roads Ministry from 05 October 2023 is Rs. 246,100 had not been recovered. | Under Section 4:5 of Chapter XXIV of the Establishments Code, arrangements are being made to recover the arrears from the guarantors. | Arrangements should be made to recover the outstanding loan balances promptly. |

(b) Not getting expected benefits (Out-come)

| Audit Observation | Comments of the Chief Accounting Officer | Recommendation |
|--|--|--|
| The estimated value of Rs. 4,134,642 had been allocated for the renovation project of Gamewela water scheme implemented by the Uva Provincial Road Ministry was on 11 May, 2021 and the project was supposed to be completed by 31 October 2021 but by even 23 January 2024, only drains had been cut and pipes had been laid. | Even though the entire work of the project has been completed by now, three-phase electricity has to be obtained for the water pump and for this, money has been allocated through criteria based development grants this year. After getting the estimate from the electricity board, the benefits can be availed to the beneficiaries without any interruption in getting electricity. | Steps should be taken to provide clean drinking water immediately. |

1.5.8 Head 709 - the Deputy Chief Secretary's (Personnel and Training) Office.

Staff administration

(a) Provincial Council Ministries/Departments and Offices (Except School and Health Staff)

| Audit Observation | Comments of the Chief Accounting Officer | Recommendation |
|---|---|---|
| At the end of the year under review, 215 secondary level officers and 256 other (casual/temporary/contract basis) employees had been employed in redundant service. The number of vacancies at senior, tertiary and primary levels was 686. | No answers had been provided. | Steps should be taken to maintain staff balance |

(b) School Staff

At the end of the year under review, 1284 teacher assistant staff and 17 other (casual/temporary/contract basis) employees had been employed in excess. 562 posts of principals and 2891 posts of teachers had been vacant.

In the year 2023, 331 vacant posts in the principal service had been filled. Also, I take action to fill the vacancies in the teachers' service with the officers who are currently recruiting.

Teachers and principals should take steps to maintain a balance.

(c) Health staff

Audit Observation

The number of vacancies in senior, tertiary, secondary and primary levels of health staff was 624 and the vacancies had not been filled.

Comments of the Chief Accounting Officer

It is expected that the officers for the deficient positions will be recruited from the line ministry for these positions after completion of their training from the respective training colleges and after recruiting them to the provincial council, they will be attached in vacant institutions. The Ministry of Health has checked personal files, conducted interviews and recruited employees who have completed the qualifications for the currently vacant positions of attendant, minor service controller, telephone operator and health laboratory assistant. Training related to the positions is currently being done.

Recommendation

Steps should be taken to maintain staff balance.

1.5.9 Head 710 - Department of Health Services

**(a) Operational inefficiencies
Audit Observation**

Comments of the Chief Accounting Officer

Recommendation

(i) Without giving specific decisions in respect of using drugs such as expired medicines value of Rs. 6,737,293 of failed medicines value of Rs. 1,168,303 and drug stocks worth of Rs. 4,141,049 in the Diyatalawa, Mahiyangana and Welimada Hospitals, suspended the use of drugs temporarily had been kept in the drug-stores.

In view of the covid epidemic that lasted until the beginning of 2019, 2020, 2021 and 2022, many people received treatment for covid disease, but the use of medicines in the general outpatient department and for other diseases decreased. This condition affects the entire island

Steps should be taken to properly dispose of expired and defective drugs and a system should be developed to use

and the medicine expires without using it. the drugs before they expire.

Also some medicines are absolutely essential for life saving service and they have to be kept in the hospital till their expiry date.the drugs namely

- Atrophin sulphate
- Aminophilin

are sent to another hospital and new stocks are brought in instead, and most of these drugs are life-saving drugs.

Actions have been taken to deal with the drugs that have been identified and reported as failing and set them aside. The Director of Badulla Regional Health Services has instructed the officials to take steps to act accordingly after giving the necessary instructions.

- (ii) The value of the stock of medicines expired on 24 November, 2023 in the drugstore of Wellawaya Base Hospital was Rs. 2,007,281 and no follow-up action had been taken in this regard.

Most of these medicines are medicines that have expired during the period of the Corona epidemic. Due to the decrease in the number of patients who came to the hospitals because of the Corona threat in the country at that time, the use of medicines ordered for patient care decreased. The hospital had taken measures to prevent the wastage of medicines whenever possible, but a significant amount of medicines had expired. This condition is common in all hospitals across the island.

Also, during the Corona period, medicines were received as aid from other countries (To the Colombo Drug Store) and those medicines were issued to hospitals without ordering. A large number of those drugs were about to expire. Due to these facts, a large number of drugs have to be stored as expired drugs.

Measures should be taken to utilize medicines before their expiry date and properly dispose of expired medicines.

(b) Apparent irregularities

| Audit Observation | Comments of the Chief Accounting Officer | Recommendation |
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| <p>(i) From the year 2018 to 2021, there was a shortage of drugs worth Rs. 2,402,678 in comparison with the release orders and receipt orders related to 09 drug items issued by the Welimada Base Hospital to the regional hospitals of Boralanda, Bogahakumbura and Uva Paranagama. No investigation into the deficiency had been conducted so far.</p> | <p>According to a complaint made by our department to Bandarawela Special Criminal Investigation Division, pharmacist D.M. Duminda Deshapriya Dissanayake was arrested on 14 February, 2024 by Bandarawela Police in connection with the irregularities in the Drug store of Welimada Primary Hospital and presented to the Welimada Magistrate Court on 15 February, 2024. After that, he has been imprisoned since that day. Accordingly, his service has been suspended as per Uva Provincial Health Ministry Secretary's No. 5/AD/8/232 and the letter dated 19 February 2024.</p> <p>In this regard, investigations were carried out at the level of our department and investigations are also being carried out by the Bandarawela Special Crime Investigation Division, so further information in this regard can be provided later.</p> | <p>In the case of stock shortage, prompt investigations should be conducted and disciplinary action should be taken against the officials responsible.</p> |
| <p>(ii) From the year 2019 to the year 2022, 06 medicines worth Rs. 4,918,840 issued to the hospital clinics from the drug store of the Welimada Base Hospital had not been received by the respective clinics, so the patients had not been given those medicines.</p> | <p>- Do -</p> | <p>- Do -</p> |
| <p>(c) Idle and underutilized assets</p> | | |
| <p>(i) The equipments amounting to Rs. 1,457,407 purchased by the Badulla Regional Health Services Directorate without identifying the prerequisites had been issued to the hospitals but the hospitals had returned the equipments to the Badulla Regional Health Services Directorate without using them.</p> | <p>Since one of the primary objectives of this project is to provide health facilities and get their information efficiently through the provision of patient registration and Personal Health Number (PHN), Bar Cord Readers and Card Printers were provided to the hospitals to provide</p> | <p>The need should be correctly identified and purchases should be made.</p> |

PH Number to the people. But due to the high cost of the cards required for printing those cards, it was decided to use printers that can be used for normal printing paper instead of card printers.

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| (ii) | 99 units related to 04 items of medical and other office equipment value of Rs. 11,082,139 purchased in relation to the period from 2019 to 2023 remained idle even on July 04, 2023 without being used for the intended purpose. | Currently, the "Swastha" program has reached the level of full implementation and the hospital care functions, including the application and issuance of medicines, are being implemented according to the digital method. Accordingly, various needs of the hospitals and health institutions implementing this program have been identified and requests have been made to provide the above mentioned equipment. At present, we report that our office has studied the requests and is working to provide the necessary equipment to those institutions and I further inform that before the end of December 2023, all the underutilized equipment mentioned in the inquiry will be distributed and finished in such a way that they can get proper use. | Appropriate equipment should be used to achieve the desired objectives. |
| (iii) | 06 medical equipment worth Rs.11,090,200 purchased in the year 2022 and issued to the Wellaway Primary Hospital were still stored idle in the drug store as of the audited date of 18 July 2023. | All the equipment mentioned in this report is the equipment purchased for use in the operating room currently under construction at Wellaway Primary Hospital. These equipments are put into use immediately after the work in the operating room is finished. | Medical equipment should not be left idle and put to use. |

(d) Health staff

Audit Observation

According to the staff report prepared and submitted on 23 November, 2023 related to the Wellaway Base Hospital, comparing the approved and actual cadre on that day, there were 31 redundant staff in 08 positions and

Comments of the Chief Accounting Officer

According to the staff approved in the year 2017, due to the expansion of hospital services in that number, it is difficult to get the service. Therefore, more than the approved

Recommendation

Staff review should be made and staffing and required staff should be

Rs.26, 036,153 as overtime allowances and Rs.15,285,884 had been paid as holiday wages.

staff has to be employed.

approved.

- ❖ Duties of the Blood transfusion unit should be provided throughout 24 hours of the day.
- ❖ Establishment of surgical wards (Male/ Female), establishment of Central Sterilization Unit (CSSD).
- ❖ Expansion of ambulance service.
- ❖ Expansion of Forensic Service.
- ❖ Eye clinics, psychiatric clinics.
- ❖ General administrative work.

Overtime has to be paid even if the number of employees is more than the approved staff due to the aforesaid reasons.

1.5.10 Head 711 - Department of Education

(a) Operational inefficiencies

| Audit Observation | Comments of the Chief Accounting Officer | Recommendation |
|--|--|---|
| <p>(i) 04 Zonal Education Offices in Uva Province in the years 2021 and 2022 ordered uniforms for school students without estimating the size correctly due to ordering 47 types of 6424 sets of uniforms worth of Rs.2,469,687 had been stacked in the storage and development section of those offices. With the passage of time, the uniforms had become unusable due to discolouration, decay etc.</p> | <p>All the principals of the schools have been instructed to order uniforms of the prescribed types and sizes and have also been asked to prepare a summary report regarding the orders. Regarding the surplus uniforms in the year 2023, documents have been prepared for distribution to difficult and extremely difficult schools at the regional level and submitted to the Ministry of Education by the Secretary of the Uva Provincial Ministry of Education for approval and it has not been given yet. Upon obtaining the approval, I will distribute the surplus uniforms according to the said document.</p> | <p>The requirement of the school uniforms should be precisely calculated and steps should be taken to order the uniforms.</p> |

- (ii) Under the Secondary Education Sectoral Development Program (SESIP) with the aim of "exploring new ways of increasing the productivity of the existing industries in their area and making appropriate equipment accordingly to provide space at the student stage to contribute to the upliftment of the area as well as the gross domestic product" as well as Expecting to develop creative skills, logical thinking, teamwork, good communication skills and the ability to face challenges in school students, Rs. 44,000,000 in financial provision, as on 31 July 2023, 1 ½ years had passed, but the desired objectives had not been achieved.
- An awareness program was held on 18 and 19 December 2023 for the principal and teachers in charge of innovation. It has been mentioned that the students of Mo/Kataragama National School have prepared a device to collect invasive plants in water and the students of Mo/Mallattawala National School have made a color light device and the students of B/Dharmapala College are conducting experiments related to agricultural products. Schoolchildren's interest lies in robotics and new computer technology and there is a reluctance to focus on finding solutions to local problems. Accordingly, designs have been prepared in relation to the robotic technology and new computer technology.
- Actions should be taken to utilize the funds as per the project objectives.

(b) Uneconomic transactions

Audit Observation

Before constructing a building in a land prone to landslides, a proper feasibility study should be carried out and a report from the National Building Research Institute (NBRO) should be obtained and construction should be carried out based on its recommendations, but by not doing so, Rs. 3,414,036 was spent in the B/Sivali Maha Vidyalaya area of the two toilet systems that had been not able to be used due to the landslide near the entrance.

Comments of the Chief Accounting Officer

As a solution to bank erosion, the protective side wall has to be built, so the procurement work has been done and the construction for the first phase has already started. It is also included in the above contract to direct the rain water from the toilets on the upper side of the bank to the main drain of the school.

Both toilet systems are still in use.

Recommendation

Steps should be taken to ensure the safety of the students and recommendations of the National Building Research Institute (NBRO) should be obtained before construction.

(c) Idle and underutilized assets

During the inspection of the warehouse of the Wellawaya Education Zonal Office, 03 laser, HP and Dell laptops of unrecognizable value were found unused since 2013.

During the inspection conducted by the members of the Computer and Hardware Networking Team of the Wellawaya Regional Education Office on 31 January 2024, it has been recommended that these 03 laptops should be removed from use on the basis of difficulties in obtaining the equipment required to prepare them and the need to incur high costs.

Appropriate measures should be taken promptly to use laptops effectively.

(d) School staff

Audit observation

Comments of the Chief Accounting Officer

Recommendation

(i) Due to lack of formal teacher balancing in 06 regions belonging to the Uva Provincial Education Department, there was a shortage of 2214 teachers in 382 rural schools and a surplus of 583 teachers in 165 urban schools. Rs. 549,754,310 had been paid for redundant teachers from 01 January, 2022 to 31 December 2023.

All zonal education offices have already implemented the annual transfers. It has been arranged to bring the teacher balance.

Efforts should be made to maintain a balance of teachers in the province in a formal manner.

(ii) In the absence of deputy and assistant principal positions in some schools belonging to 02 Bandarawela and Welimada education zones, 26 deputy and assistant principals have been appointed beyond the approved limit to some schools in the same zones and they had been paid Rs. 43,762,329 only during the period from 01 May, 2021 to 31 October,2023.

I would like to mention that arrangements have been made to transfer the Deputy and Assistant Principals who have been appointed beyond the approved limit of the school.

In order to obtain effective and efficient service from those principals through a formal staff balance, arrangements should be made to assign and employ the vacant schools.

- (iii) As per the decision of the Cabinet of Ministers No. CMP/12/1101/530/035 and dated 8 August, 2012 regarding the recruitment of Sri Lanka Teachers Service officers who covered the duties of principal positions, 120 existing teachers in service had been appointed to the II grade of Class 2 of the Sri Lanka Principals Service and employed in 118 schools belonging to the 10 education zones of Uva Province and despite the fact that they are not entitled to receive any rights other than the right to receive salary according to the conditions of the appointment letter, Rs. 22,972,094 had been paid as principal allowances for 110 principals from the year 2013 to 31 October, 2023 without complying with the conditions.
- Through the Secretary of Ministry of Education No. ED/4/60/01/13 and letter dated February 26, 2009 it has been informed about the provision of a special allowance for principals. Accordingly, monthly payments have been made for principals working as principals and teachers who are not graded but are acting as principals. The special allowance given to principals has been amended through the letter of the Secretary of the Ministry of Education No. ED/04/60/01/V.Allowance/2017 and dated 14 March 2017 and circular No. 16/2017. The revised allowance has been paid from March 2017 to the teachers serving as principals and acting in those positions. The letter No. 1/3/7-ix and dated 29 September, 2018 addressed to the Chief Secretary of Uva Province with the signature of Secretary to the Governor of Uva Province has approved the payment of the special allowance for acting principals.
- Through the letter No. 9/B/8 dated 03 October 2018 directed to the Uva Provincial Education Director with copies to all Regional Education Directors with the signature of the Secretary of Uva Provincial Education Ministry has approved the payment of the special allowance for acting principals. On the basis of the above mentioned circulars and letters, the Principal Allowance has been paid to the Principals.
- (iv) Rs. 28,621,714 had been paid as salaries by appointing 32 laboratory assistants for 27 schools without a laboratory and 17 library assistants for 14 schools without a library in Uva province, without fulfilling the objectives of appointing those employees and maintaining an effective work force during the period from 01 January, 2022 to 31 December, 2023.
- Actions have been taken to direct Laboratory assistants and library assistants to schools where laboratories and libraries are functioning.
- As the appointment letters have been issued after the circular, the terms of the appointment letter should be followed.
- Laboratory assistants and library assistants should be employed in schools where these facilities are available.

| | | | |
|-----|---|---|--|
| (v) | When there was a shortage of 2302 teachers in 410 schools in 07 education zones of Uva province, 99 teachers appointed to schools in those education zones were assigned to schools outside that education zone and to national schools during the period from June 2007 to December 2023 in respect of their original schools, Rs. 38,446,523 had been paid as salaries. | Appointments have been made based on teachers who have submitted nominations for the local government polls, medical reasons and the requests of officials who are about to give birth. | The annual transfer policy should be implemented without making attachments. |
|-----|---|---|--|

(e) **Non-receipt of income due from assets**

Audit Observation

Comments of the Chief Accounting Officer

Recommendation

Out of 549 teachers' principals' government quarters in 04 education zones, 77 quarters were unusable or underutilized.

Out of the 199 teachers' quarters located within the schools of Mahianganaya Education Zone, there are residents in 94 teachers' quarters, and 27 teachers' quarters out of the remaining 105 quarters have been included in the development plan to be repaired in the year 2024.

Measures should be taken to prevent the quarters from falling into disrepair.

1.5.11 Head 712 - Department of Local Government

(a) **Supervision of local government bodies**

Deficit income

| | | | |
|-----|---|--|---|
| (i) | For the reviewed year and previous years, the sum of assessment tax and other income due to 28 local government bodies in Uva province amounting to Rs. 1,245,683,636 had not been recovered till 31st December of the year under review. | These revenue deficits are the revenue deficit balance brought before the local government bodies from previous years. Due to the corona epidemic situation in the years 2020 and 2021 and the economic crisis in the country in the year 2022, these deficit revenue recovery activities could not be carried out as expected. In this regard, it was also discussed in the audit management committees held in the year 2022. Accordingly, necessary instructions have already | Actions should be taken to recover arrears of revenue as per Acts, Financial and Procedural Rules and Bye-laws. |
|-----|---|--|---|

been given to the local government bodies for quick recovery of the arrears.

(ii) According to the provisions of the Municipal Council Ordinance (Cap.252), the Urban Council Ordinance (Cap.255) and the Pradeshiya Sabhas Act No. 15 of 1987, the sum of court fines payable to the local authorities is Rs. 134,107,125 and the stamp duty total of Rs.290,178, 301 had not been received by the local authorities.

From 01 January 2023 to 31 December 2023, all court fines and stamp duty approved by the Governor of Uva Province have been paid to the relevant local authorities.

The provisions of the relevant Acts shall be followed.

(b) Amount due for surcharge certificates issued

As of 31 December of the year under review, a sum of Rs. 4,343,381 was due to be charged for the surcharges imposed on the officials and members of the local government bodies of Uva Province.

Necessary instructions have already been given to the local authorities for speedy recovery of surcharges.

According to the provisions of the statutes related to the local government bodies, arrangements should be made to collect the surcharge money.

(c) Utilization of Vehicles

Audit observation

During the struggle that took place on 09 May 2022, a cab belonging to the Megahakivula Pradeshiya Sabha was taken to Colombo illegally and without permission and was attacked by persons on its way back and was destroyed. There, the parties responsible for the destruction of the government property were not identified and steps were not taken to recover the losses. Legal proceedings were being carried out to obtain the insurance title of the destroyed vehicle.

Comments of the Chief Accounting Officer

During the struggle on 09 May, 2022, a cab belonging to the Megahakivula Pradeshiya Sabha was burnt and destroyed in the middle of a riot and the registration certificate of this vehicle is currently being kept as a production in the Attanagalla High Court and the cab has been released on a bond in the name of the secretary of the Megahakivula Pradeshiya Sabha. (Case No. - B1072/22). Also, after providing the original copy of the vehicle's registration certificate to the insurance company, the insurance company has agreed to settle the total insurance claim

Recommendation

The responsible parties should be identified and steps should be taken to recover the losses.

amount (Insurance Claim No. V/CH/1/010/1035842/2022), and currently doing the legal work related to obtaining the total claim amount.

1.5.12 Head 714 – Department of Agriculture

(a) Management inefficiencies

| Audit Observation | Comments of the Chief Accounting Officer | Recommendation |
|--|---|--|
| <p>it was more than 10 years that the money fraud had happened in the Department of Agriculture and as of 31 December,2023, the unsettled balance mentioned in the financial statements was Rs. 440,990.</p> | <p>Even though a period of 21 years has passed since date of the disappearance of the money, the relevant balance is still there because the preliminary investigation related to it has not identified and notified who is responsible. From the judgment of the court in this regard, the chief clerk who dealt with the finances of the Badulla Deputy Director of Agriculture's office at that time, Mrs. A.M. Leelawathi has been acquitted. She died on 07 July, 2021 and I will look into the further actions to be taken in this regard and carry out further work through the audit and management committee to cut off this amount.</p> | <p>According to Provincial Finance Rules 104, investigations should be carried out and arrangements should be made to promptly recover the outstanding balance from the responsible officials.</p> |

(b) Not getting expected benefits (Out-Come)

| Audit Observation | Comments of the Chief Accounting Officer | Recommendation |
|---|--|----------------|
| <p>In terms of the manifesto "Saubhagya Dekma" in accordance with the concept of providing food free of poisons with the aim of producing healthy and productive citizens under implement the program of Promotion of the production of organic fertilizers and other organic inputs at the provincial level in order to be able to cultivate without chemical fertilizers, chemical pesticides and chemical herbicides, Rs. 70.7</p> | | |

million was allocated to the Uva Provincial Council from the State Ministry of Agriculture and Rs. 21.24 million of Provincial specific Development Grants (PSDG), as a total of Rs. 91.94 million had been spent but by 15 March, 2024, the program had completely stopped functioning. According to the following facts, it was confirmed that the amount of Rs. of Rs. 91.94 million was an idle expenditure.

- | | | | |
|------|---|--|---|
| (i) | <p>Due to planning to provide a financial aid package to 1686 beneficiaries in Monaragala district and 2268 beneficiaries in Badulla district and only providing material support in the package and not providing 800,000 kg of rock phosphate in Epawala to encourage production of organic fertilizers subject to Rs. 15,000. The expected production of 26,000 metric tons of organic fertilizers with phosphates had failed to materialize. Accordingly, the cost of Rs. 32,350,920 that had been spent on the project had become a completely unrealized cost.</p> | <p>Since the package was given, a considerable amount of organic fertilizer has been produced using other material aids and the production of organic fertilizer has already been made using that package. The organic fertilizers are used for gardens and small-scale cultivation. Therefore, by providing material support, organic fertilizers became popular at the household level and I mention that it is not an idle expense.</p> | <p>Steps should be taken to provide materials required for the production of quality organic fertilizers.</p> |
| (ii) | <p>Although the main objective of the program is to produce 50 percent of the amount of compost required to produce organic fertilizers in the province itself, to buy planting material, contrast to that, due to paying Rs. 6,876,540, to purchase planting material, Rs. 10,768,850 for buying fruit plants and Rs. 1,780,000 for planting manioc stalks for 66 beneficiaries and Rs. 1,798,250 for establishing plantations at Bibila District Farmers Training Center and Bidunuwewa Service Publishing Institute and for permanent nameplates, 23 percent of the total expenditure had been spent not in accordance with the purpose.</p> | <p>As per the revised plan with new activities as on 21 November 2021, Planting materials have been purchased with the aim of achieving several objectives such as the promotion of fruit and other crops using integrated plant nutrient management, increasing the promotion of citrus cultivation including oranges in a background where the import of oranges is restricted and soil health using organic fertilizers, improving the condition and promoting the cultivation of local potato crops.</p> | <p>Actions should be taken to reach desired goals.</p> |

(c) **Staff administration**

| Audit Observation | Comments of the Chief Accounting Officer | Recommendation |
|--|--|---|
| Even though there was a surplus of two security guards in Uva Provincial Agriculture Department, 05 security guards recruited on casual basis during the years from 2011 to 2016 had been paid Rs. 15,004,048 as Overtime allowances and Rs. 60,116 as salaries. | Between 2011 and 2016, the 05 guards recruited on a casual basis have been attached to the affiliated institutions of the Department of Agriculture and have been appointed and approved as casual guards of the Department of Agriculture. Since there were not enough employees during that period, guards had been taken to these institutions under the duty shift system to maintain the security of physical resources and human resources properly. | Steps should be taken to employ the redundant employees and recruit the deficient employees in a formal manner. |

1.5.13 Head 715 - Department of Animal Production and Health

(a) **Non-compliance**

Non-compliance with laws, rules and regulations

| Reference to Laws, Rules and Regulations | Non-compliance | Comments of the Chief Accounting Officer | Recommendation |
|--|---|--|---|
| Establishments Code Paragraph 5.6 of Chapter XIX of the Establishments Code | Due to the illegal economic rent collection from the residents of 28 government houses belonging to the Department of Animal Production and Health, the provincial council had lost a rental income of Rs. 2,962,571. | All quarters beyond 03 years have been referred to the Valuation Department for valuation. Based on the relevant reports, I take action to correct the house rent charges of each officer. | Action shall be taken act in accordance with Section 5.6 of Chapter XIX of Establishments the Code. |

(b) Staff administration

| Audit Observation | Comments of the Chief Accounting Officer | Recommendation |
|---|---|---|
| In violation of paragraph 5.2.5(a)(ii) of the transfer policy for officers attached to the Uva Provincial Public Service and the Provincial Public Service, 43 officials had been employed for a long period between 05 and 22 years in the Uva Provincial Animal Production and Health Department and under those departments under the purview of it. | Answers have not been received. | The Transfer Policy for Uva Provincial Public Service and Officers Attached to Provincial Public Service shall be implemented in compliance with paragraph 5.2.5(a)(ii) thereof . |

1.5.14 Head 716 - Land Commissioner's Department

(a) Revenue Management

| Audit Observation | Comments of the Chief Accounting Officer | Recommendation |
|--|---|------------------------------|
| As of 31 December, 2023, out of 122 lessees belonging to 122 long-term leases that were given as leases on a commercial basis by the Land Commissioner General for long-term leasing of land, Rs. 139,242,705 arrears of rentals had not been recovered. | 122 lessees have been notified to pay rentals separately and since this department does not have the powers to take regular action against rental defaulters, the Commissioner General of Lands has been informed to take further action. | Arrears should be recovered. |

1.5.15 Head 718 - Department of Industrial Development

(a) Management inefficiencies

| Audit Observation | Comments of the Chief Accounting Officer | Recommendation |
|---|--|---|
| Department of Industrial Development from the year 1991 to the year 2003 had not taken no effective measure to recover the amount to be charged for the sale of textile credit amounting to Rs. 2,255,817 which is the outstanding loan balances for over 20 years. | Uva Provincial Industrial Development Department sells textiles on credit basis only to public officials and sells them to external parties only on cash. This outstanding credit balance is due to an accounting error as credit is charged in installments for sales made on credit. In reality there is no such credit balance. In the future, those loan balances will be written off. | Arrangements should be made to recover the loan balance or take other appropriate action. |

(b) Visual disturbances

| Audit Observation | Comments of the Chief Accounting Officer | Recommendation |
|---|---|---|
| During the period from 2004 to 2019, the vouchers related to the payment of salaries were subjected to a sample check and according to the statements presented by the technicians concerned, the salaries of Rs.777,606 should have been received by the 05 technicians of the Rilpola Textile Center during the said period had been obtained by the officer having placed forged signatures. | I mention that further work will be done according to the committee report. | Action should be taken against the responsible and negligent officials. |

(c) Bank accounts

| Audit Observation | Comments of the Chief Accounting Officer | Recommendation |
|---|--|---|
| According to the bank reconciliation statement prepared for the month of October 2023 in relation to the current bank account held in a commercial bank for the Industrial Development Department's Textile | At present, A total of Rs. 1,689,994 from this balance has been identified. These errors occur as there are multiple bank accounts and there are transfers between those | Direct debits should be checked with the bank and adjustments |

Commercial Advance Account, Direct Credits of Rs. 3,386,380 from the bank had not been identified and adjusted. accounts. It will be corrected in the future. should be made.

1.5.16 Head 722 - Department of Probation and Child Care Services

(a) Operational inefficiencies

| Audit Observation | Comments of the Chief Accounting Officer | Recommendation |
|---|--|---|
| The 03 Probation Offices in Welimada, Mahiyanganaya and Wellawaya run by the Uva Provincial Probation and Child Care Services Department are being maintained for a period of 05 to 11 years on a monthly rent basis without constructing specific buildings and the rental amount be paid to the private sector by August 2023, was Rs. 5,059,500. | Arrangements are being made to allocate a temporary building until the completion of the construction of the Mahiyangana Probation Office and arrangements are being made to reserve a place in the Welimada Old Court Building for the location of the Welimada Probation Office and after finding a suitable place for the Wellawaya Probation Office, I take measures to locate the Probation Office. | Immediate steps should be taken to establish probate offices in government buildings. |

1.5.17 Head 726 - Office of the Deputy Chief Secretary (Engineering Services).

(a) Disputed transactions

| Audit Observation | Comments of the Chief Accounting Officer | Recommendation |
|---|--|--|
| As on 31 December 2023, the office of the Deputy Chief Secretary (Engineering Services) had accounted Rs. 6,236,856 as release and return of deposits in respect of interim deposits for income exceeding 02 years without proceeding as per Financial Regulations 571. | I would like to mention that we will investigate the overdue deposits and take steps to regulate the overdue deposits as soon as possible. | As per Financial Regulation 571, overdue deposits should be identified and appropriate action should be taken. |

(b) Project implementation

Delayed projects

| Audit Observation | Comments of the Chief Accounting Officer | Recommendation |
|---|---|--|
| <p>Mahianganya Probation Building construction project which was the estimated value was Rs. 73,177,786, was scheduled to be completed on 28 November 2022, but as of 31 January 2024, the work had not been completed and the physical performance of the project was at 50 percent. A sum of Rs. 46,537,466 including the price variation for the work that had been completed on that day, had been paid which was the agreed contract value of Rs. 54,902,042 was 85 percent.</p> <p>Accordingly, no physical performance had been achieved in relation to the financial progress and contractors had left the industry without completing their work value of Rs. 11,665,882 set out in the contract agreement. No action had been taken against the contractor and the industry's contract had been canceled and re-procurement had been initiated.</p> | <p>During the construction, getting approval for the changes in the foundation, the severe Covid epidemic crisis in the year 2021 and especially in the year 2022, unlimited increase in the price of all other materials including construction materials and accessories due to the situation in the country and the limited allocation amount for the respective years have resulted in not being able to complete the construction by 28 November 2022.</p> <p>As re-procurement will cause separate costs for this due to the delay in the construction and canceling the contract, action should be taken to negotiate with the contracting company on several occasions and get the construction completed from the same company. Re-procurement activities are being carried out and bid evaluation activities are being carried out to select a new contract agency having cancelled the agreement due to non-performance of the contracting entity as agreed.</p> | <p>Steps should be taken to complete the construction within the stipulated time and steps should be taken to recover the loss due to negligence from the responsible officials.</p> |

1.5.18 Head 731 - Road Development Department

(a) Management inefficiencies

| Audit Observation | Comments of the Chief Accounting Officer | Recommendation |
|---|--|---|
| The loss to be recovered in connection with the accident to a vehicle owned by the Uva Provincial Road Development Department was Rs. 703,600 and it had not been recovered from the responsible party till the end of the year under review. | A rough estimate has been submitted by the Provincial Mechanical Office regarding the accident of vehicle No. 54-1355. According to the report, for the repairs to be done due to the vehicle accident, Rs. 703,600 should be recovered as loss. The vehicle has now been sent for repair. | The value of the loss should be recovered from the concerned parties. |

1.5.19 Head 736 - Office the Deputy Chief Secretary (Financial Management)

(a) Non-compliance

Non-compliance with laws, rules and regulations

| Reference to Laws, Rules and Regulations | Non-compliance | Comments of the Chief Accounting Officer | Recommendation |
|--|--|--|--|
| Financial Regulations 571 of the Republic of Sri Lanka | As on 31 December, 2023, there was an unregulated General deposit balance of Rs.1, 805,909 over 02 years related to 14 institutions. | Value Rs. 1,805,909 will be arranged to regulate deposits. | Overdue deposits should be settled in accordance with the Fincial Regulations. |

(b) Revenue Management

| Audit Observation | Comments of the Chief Accounting Officer | Recommendation |
|---|---|------------------------------|
| As on 31 December 2023, the total net arrears of total revenue was Rs. 155,866,800 and no adequate steps had been taken to recover the arrears. | The Commissioner General of Lands was informed by letters on several occasions for taking legal action due to non-payment of relevant arrears | Arrears should be recovered. |

related to land outstanding rent. As the provincial councils do not have the powers to take legal action, according to the circulars dated 2021/06 and 13 October 2021 has informed to cancel and refer the leases of the lessees who do not pay outstanding taxes, to the Commissioner General of Lands for legal action. The Commissioner General of Lands, I mention that all the Divisional Secretaries have been informed by the Land Commissioner General's letter No.UPLC/D/4/General and dated 18 October 2021 to act accordingly.

Stamp duty on transfer of property

In cases where stamp duty has not been charged on the correct value for the instruments, executed with lower values will be checked and time will be given to those persons to pay the relevant arrears. In this way, a payment process is taking place and efforts are being made to collect the arrears by taking legal action on behalf of the people who do not make the payments. I would like to mention that these activities are an annual process.

Toddy tavern tax /Miscellaneous Receipts

Regular awareness has been done about this. And these people are still not found. Therefore, if legal action is not taken or if it is not effective, the relevant amount will be deducted according to the legal provisions.

(c) Other Advance Accounts

| Audit Observation | Comments of the Chief Accounting Officer | Recommendation |
|---|--|--|
| <p>A sum of Rs. 36,203,255 in respect of the officials who have been transferred away from the ministries, departments and offices of the Uva Provincial Council, and concerning the loan balance of Rs. 22,378,751 to be recovered from other officers who died and retired, suspended and left the service, had not been dealt with according to the provisions of Chapter XXIV of the Establishment Code and 03(a)(b)(e) of the State Finance Circular No. 05/2019 dated 27 June 2019.</p> | <p>Most of the debt due from transferred officials is due to the debt balance of officials who have transferred to other provincial councils and the central government. Inter-provincial councils and central government agencies have been informed and discussed to recover those balances and those balances are being settled gradually. Also, all the institutions have been informed to collect the entire loan balance at the same time when the provincial council officers are transferred.</p> <p>Arrangements have been made to settle the loan balances due from retired officers through the Pension Department, but the settlement of the loan has been delayed due to liquidity problems in that department. Instructions have been given to the concerned institutions to settle the balance of the debts of the deceased and retired officers.</p> | <p>The provisions of Chapter XXIV of the Establishment Code and 03(a)(b)(e) of the Public Finance Circular No. 05/2019 dated 27 June 2019 shall be followed.</p> |

(d) Debt balances to be settled

| Audit observation | Comments of the Chief Accounting Officer | Recommendation |
|---|---|---|
| <p>(i) The loan balances amounting to Rs. 31,104,029 from Officials transferred from 07 Ministries, Departments and Offices of Uva Provincial Council had not been settled.</p> | <p>This includes the loan balances of officials from other provincial councils, central government and local government institutions. These balances are now being settled gradually.</p> | <p>Debt balances should be settled.</p> |
| <p>(ii) As on 31 December 2023 Rs. 13,221,469 in the advance account of provincial government officials, had as an unrecognized creditor balance which had not been settled at the end of the year under review. A sum of Rs. 13,112,693 including in the aforesaid balance</p> | <p>During the initial phase of the establishment of the provincial councils, when central government teachers were absorbed into the provincial council, the loan balances of those officers had to be charged to</p> | <p>Debt balance should be identified and settled.</p> |

is a debt balance that has not been settled by the Uva Provincial Education Department for a long time and as detailed information such as the details of officers and time analysis was not submitted to the audit in relation to it, it was not possible to check the balance satisfactorily.

the provincial council in the initial few years. The provincial council has not settled the debt balance to the line ministry and the debt balance has been taken over to the General Treasury. Accordingly, due to closure of accounts, these credit balances were initially settled to the Treasury. Since the accounts of the General Treasury related to the Absortions have been completed, these debt balances will be recorded and processed to be accounted as income of the Provincial Council after settling the debt balances to be settled between the Provincial Councils of the Provincial Education Department.

- (iii) Due to the fact that the loan balance of Rs. 2,369,847 recoverable presented under the headings "Miscellaneous" to 04 institutions of the loan notes No. 10 of provincial government officials in the consolidated financial statements, was not shown in Annex 3.8 of the Appropriation account and the consolidated financial statements of those institutions in a way that can be clearly identified and divided into separate types of loans, the said loan balance could not be checked satisfactorily during the audit.
- The details of the loan balances due from the officers on local leave of the Ministry of Education and the Department of Health Services are given in Annex 3.8 of Advance B Account and the said loan balances are being charged. The credit balances existing Rs.1,981,060 and Rs.117,757 related to the Education Department and the Local Government Department are being recognized.
- Debt balance should be identified and settled.

1.5.20 Head 738 - Office of the Deputy Chief Secretary (Administration)

- (a) **Non-conformances**
Non-compliance with laws, rules and regulations

| Reference to Laws, Rules and Regulations | Non-compliance | Comments of the Chief Accounting Officer | Recommendation |
|--|----------------|--|----------------|
|--|----------------|--|----------------|

Public Administration **Circulars**

- | | | | |
|---|--|-----------------------------|---|
| (i) Public Administration Circular No. 26/92 and dated 19 August 1992 and Public Administration Circular No. 01/2002 and 25 February 2002 | The state Emblem should be applied to all vehicles except for the vehicles reserved for government and state/corporation | No answers have been given. | Actions should be taken as per the circulars. |
|---|--|-----------------------------|---|

officials who are entitled to use government vehicles for personal use and apart from applying the state emblem to 98 vehicles belonging to 23 institutions of Uva Provincial Council, the name of the institution had not been recorded on the vehicle body.

- | | | | | |
|------|---|---|-----------------------------|---|
| (ii) | Public Administration Circular No. 30/2016 and dated 29 December 2016 | Regarding 135 vehicles belonging to 21 institutions of the Uva Provincial Council, the fuel combustion test had not been done properly as per the instructions in the circular. | No answers have been given. | Actions should be taken as per the circulars. |
|------|---|---|-----------------------------|---|

(b) Management Inefficiencies

| Audit observation | Comments of the Chief Accounting Officer | Recommendation |
|--|---|---|
| (i) Although two vehicles had been purchased by private buyers on 04 January, 2019 in the disposal of condemned vehicles according to the information obtained from the computer data system of the Motor Traffic Department, they were still registered in the name of Uva Province and Chief Secretary of the Uva Province Agricultural Director as of 13 September, .2023 | Since it was in an unfit condition for driving, it has been disposed as a vehicle and the original registration certificate has been given to private parties. It is often observed that the vehicles procured through tenders take time to be put into operation after repairs are done and the necessary fitness certificates, smoke certificates and revenue permits are taken. The current ownership of the vehicle remains unchanged until the vehicle registration is changed. After the change in the registration of this vehicle, the arrears of revenue will be collected for the entire relevant | Dispossession of vehicles should be followed up after disposal. |

period from the date of assignment from the tender and arrangements will be made to obtain revenue permits.

- (ii) According to the information obtained from the computer data system of the Motor Traffic Department, 18 vehicles belonging to the Uva Provincial Council which were sold as scrap materials on 04 January, 2019 were still registered in the name of the government on 13 September, 2023.
- The Department of Motor Traffic has been informed about this at relevant times. Also, according to the requests made according to the orders given by the Government Accountants Council, a description of the scrap materials auctioned by the government in the last 10 years has also been forwarded to the Ministry of Provincial Councils and Local Government. Accordingly, the relevant information has been given to update the data system of the Department of Motor Traffic.
- After disposal of vehicles, the vehicle data system should be updated through coordination between institutions.

(c) **Assets management**

Failure to perform maintenance and repairs

(d) **Vehicle utilization**

Audit observation

**Comments of the Chief
Accounting Officer**

Recommendation

It was not possible to confirm the physical presence of 12 vehicles and 04 motorcycles registered in the Motor Traffic Department in the name of 04 institutions belonging to the Uva Provincial Council.

Vehicles bearing Nos.80-9282, 36-0136, 71-4458, 42-0319, 42-2182, 42-4236 and GB 4823

The relevant evidence to prove the physical presence or disposal details of the concerned vehicles and motorcycles should be reported to the audit.

Since the revenue license has not been obtained, this vehicle has not been used and according to the production years, this vehicle may have been disposed in the past 10 years and the information of the Motor Traffic Department may not have been updated.

Vehicles bearing 53-5063

All vehicles from 53-5060 to 53-5080 have been delivered to local government bodies in 1993. Apart from this vehicle, all other vehicles have been disposed on several occasions since 2012. The Sri Lanka Army has used these vehicles in the provincial councils for the military activities in the past period and since the vehicles were in a dilapidated condition when they were returned, they have been sold. Although the registration certificate of this vehicle remains in the office, the vehicle has not been returned.

Therefore, it is observed that the vehicle has been destroyed during that period.

Vehicles bearing GG-3905, XZ-9423 and XZ-9439

It has been informed to enter data on fixed assets into the computer system.

Vehicles bearing HK-5808, RW 0501 and SP 1349

It has been recorded to inform about change of assignment.

17-1012, 16-7667

These vehicles have been disposed for more than 10 years and the information from the Department of Motor Traffic may not be up to date.

1.5.21 Head 739 - Department of Internal Audit

**(a) Management inefficiencies
Audit Observation**

**Comments of the Chief
Accounting Officer**

Recommendation

posts of Internal Audit Officer have been approved as departmental post (MN (4as per Department of Management Services Staff Review Letter No.UV/FCR//2017II/VOI-II dated 11December 2018 by October 2023almost 05years However, the Provincial Internal Audit Department had not prepared a recruitment procedure and service constitution for those 18posts. In the year 2020, 19officers had been recruited as 17officers in the Development Officer Service and 02officers in the Management Service for a period of 05years.

A recruitment procedure for auditors has been drafted. The Uva Provincial Public Service Commission has appointed 18 officers on 18 September 2020 for the 18 audit officer positions approved as per the staff report approved on 01 January 2013.

Recruitment procedures and a service Minutes should be prepared for the internal audit service.

2. Financial Review

(a) Financial Result

According to the presented financial statements, the financial result of the activities of the Provincial Council Fund for the year ending on 31 December of the year under review was Rs. 2,943,894,498 which was a deficit and correspondingly the previous year's deficit was Rs 3,328,737,256. Accordingly, compared to the previous year, the growth in the financial result of the reviewed year was Rs. was 384,842,758.

(b) Income and Expenditure Variance

According to the financial statements presented, a summary of the income and expenditure for the year under review and the preceding year is as follows.

| | Income | | |
|--|------------------------|------------------------|----------------------|
| | 2023 | 2022 | Variance |
| | Actual | Actual | |
| | Rs. | Rs. | Rs. |
| Revenue applicable to the Provincial Council Subjects | | | |
| Tax revenue | 1,880,523,416 | 1,583,187,067 | 297,336,349 |
| Non-Tax revenue | 737,383,636 | 670,373,795 | 67,009,841 |
| Government Grants | 33,203,977,046 | 28,518,761,554 | 4,685,215,492 |
| | ----- | ----- | ----- |
| Total | 35,821,884,098 | 30,772,322,416 | 5,049,561,682 |
| | ===== | ===== | ===== |
| Expenditure | | | |
| | 2023 | 2022 | Variance |
| | Actual | Actual | |
| | Rs. | Rs. | Rs. |
| Recurrent Expenditure | | | |
| Personal Emoluments | 26,346,038,860 | 23,781,726,765 | 2,564,312,095 |
| Other Recurrent | 11,380,202,817 | 9,601,454,352 | 1,778,748,465 |
| Sub total | 37,726,241,677 | 33,383,181,117 | 4,343,060,560 |
| | ===== | ===== | ===== |
| Development cost of recurring nature | 1,039,536,919 | 717,878,555 | 321,658,364 |
| | ----- | ----- | ----- |
| Total | 38,765,778,596 | 34,101,059,672 | 4,664,718,924 |
| | ===== | ===== | ===== |
| Surplus/(deficiency) | (2,943,894,498) | (3,328,737,256) | (384,842,758) |

| | |
|--|----------------------|
| - Development cost of recurring nature | 1,039,536,919 |
| -Capitalized expenses accounted for as fixed assets. | 1,646,270,527 |
| | ----- |
| Government Investments | 2,685,807,446 |
| | ===== |

The total income for the year under review was Rs. 35,821,884,098 out of which Rs. 33,203,977,046 was government grants. Tax revenue was Rs. 1,880,523,416, i.e. 5 percent of the total income and the non-tax income was Rs. 737,383,636 i.e. 2 percent of the total income. Out of the total income of the year Rs.35,821,884,098 for recurring expenses (excluding depreciation) Rs. 32,941,875,483 i.e. 92 percent for government investment Rs. 2,685,807,446, i.e. 08 percent had also been utilized.

3. Operational Review

3.1 Performance

(a) Government Grants

Below are the details of the allocations received for the provincial council development work proposals and their utilization.

| Source | Amount Approved Rs. | Amount spent Rs. | Underutilizati on Rs. |
|--|---------------------------|----------------------|-----------------------------|
| Criteria Based Grants | 369,000,000 | 202,110,494 | 166,889,506 |
| Provincial Specific Development Grants. | 2,093,000,000 | 857,712,481 | 1,235,287,519 |
| World Bank aid | | | |
| - Special Sector Development Project Grants (Education) | 447,247,354 | 380,737,783 | 66,509,571 |
| - Special Sector Development Projects Grants (Health) | 1,445,000,000 | 1,423,332,165 | 21,667,835 |
| - Other - UNDP | 81,909,323 | 76,939,068 | 4,970,255 |
| - UNICEF | 48,000,000 | 48,000,000 | - |
| | ----- | ----- | ----- |
| Total | 4,484,156,677 | 2,988,831,991 | 1,495,324,686 |
| | ===== | ===== | ===== |

(b) Provincial Development Plan

Under the Provincial Development Plan for the year under review, Rs. 1483 project proposals with an estimated value of 4484 million had been approved. The following table shows the progress of the project work proposals according to the progress reports of the Provincial Council.

| Performance level of projects | Number of New work proposals | Number of unequivocal work proposals | Number of total work proposals | Estimated value of total works Rs. |
|--------------------------------------|-------------------------------------|---|---------------------------------------|---|
| Completed | 727 | 190 | 917 | } 4,484,156,677 |
| More than 50% completed | 26 | 18 | 44 | |
| Less than 50% completed | 22 | 4 | 26 | |
| Not initiated | 496 | - | 496 | |
| | ----- | ----- | ----- | |
| Total | 1271 | 212 | 1483 | |
| | ===== | ===== | ===== | |